NOTES TO THE TABOR REPORT

NOTE 1. BASIS OF ACCOUNTING

Pursuant to Article 77 of Title 24, Colorado Revised Statutes, this report is prepared in accordance with generally accepted accounting principles (GAAP) except where an irreconcilable difference exists between GAAP, and state statute or the provisions of Section 20, Article X of the state constitution (TABOR).

The accounting principles used by the state are more fully described in the state's Comprehensive Annual Financial Report available from the State Controller's Office.

NOTE 2. DEFINITION OF THE DISTRICT

TABOR defines the district as "the state or any local government, excluding enterprises." It further defines enterprise as "a government-owned business authorized to issue its own revenue bonds and receiving under 10% of annual revenue in grants from all Colorado state and local governments combined."

The General Assembly, for the purpose of implementing TABOR, stated in CRS 24-77-102(16)(a) that "state" means the central civil government of the State of Colorado, which consists of the following:

(I) the legislative, executive, and judicial branches of government established by Article III of the state constitution;

(II) all organs of the branches of government specified in subparagraph (I) of paragraph (a) of this subsection (16), including the departments of the executive branch; the legislative houses and agencies; and the appellate and trial courts and court personnel; and

(III) state institutions of higher education.

(b) "state" does not include:

(I) any enterprise;

(II) any special purpose authority.

The General Assembly has designated the State Lottery, the Guaranteed Student Loan Program, the Division of Correctional Industries, the State Fair Authority, and the State Nursing Homes as enterprises excluded from the district. It further set up a mechanism in statute by which the governing boards of the institutions of higher education could designate certain auxiliary operations as enterprises, also exempt from TABOR.

NOTE 3. DEBT AND VOTER APPROVED TAX INCREASES

During FY 1996-97 and FY 1997-98, there were no voter approved revenue increases.

Certificates of Participation, which are used by the State for long-term lease purchases, are not considered debt of the State for purposes of this report as provided by CRS 24-30-202(5.5).

NOTE 4. EMERGENCY RESERVES

TABOR requires the reservation, for declared emergencies, of 3 percent or more of the Fiscal Year Spending, excluding debt service payments.

The state has designated $206,161,158 of the fund balance of the Controlled Maintenance Trust Fund as reserved for emergencies for FY 1997-98. That amount satisfies the TABOR 3 percent requirement.

NOTE 5. STATUS OF REFUNDING

At June 30, 1998, $9.7 million of the Fiscal Year 1996-97 excess revenues had not been refunded. It is anticipated that this amount will be refunded by October 15, 1998 to those taxpayers who have timely filed extensions for their 1997 income tax returns.

NOTE 6. OTHER SOURCES AND ADDITIONS

This line item consists primarily of $323.4 million of fund additions in the higher education funds. The fund additions are transfers from other higher education funds to the loan funds, endowment funds, and higher education plant funds, or recording of fixed assets. They do not represent transactions with entities or individuals outside the District.

Other sources include additions by participants to the Individual Investment Trust Fund of $292.2 million, reversions of accruals of Medicaid accounts payables of $8.3 million, other accounts payable reversions of $3.1 million, as well as a $20.6 million reimbursement of a prior year expenditure, and $5.0 million in advances from local governments.

NOTE 7. DISTRICT RESERVES

District reserves are the cumulative fund balances of the state, excluding the fund balances of the exempt enterprises and the General Fixed Assets Account Group. The majority of these fund balances are not available for appropriation due to legal and contractual restrictions.

Prior period district fund balance adjustments consist of $14.1 million of Northeastern Junior College's net assets added to the district July 1, 1997, $2.8 million for the addition of the employee trust of the State Board of Community Colleges which was added as a component unit, a decrease of $555,347 for depreciation that the Department of Transportation failed to take in Fiscal Year 1996-97, a decrease of $2.2 million that the Department of Natural Resources recorded as exempt revenue twice in Fiscal Year 1996-97, a $129,121 error by Pikes Peak Community College in moving a deficit fund balance from outside the district, a $772.1 million addition for an accounting change that moves the investments of the Colorado Compensation Insurance Authority from an agency fund to an individual investment trust fund, an addition of $39.8 million to all district funds for the prior year's effects of that same accounting change, a decrease of $3.6 million for prior years' revenue in the Elderly Property Tax Fund that should have been deferred, and $4.0 million for an error in the recording of realized gains in the endowment funds at the University of Colorado.

District reserves/fund balance is also adjusted for the qualification or disqualification of enterprises. During Fiscal Year 1997-98, the State Fair Authority qualified as an exempt enterprise, and Colorado State University qualified two auxiliaries as exempt enterprises.

NOTE 8. SOURCES OF TABOR GROWTH LIMITS

The allowable increases in state fiscal year spending equal the sum of inflation and the percentage change in state population in the prior calendar year, adjusted for voter approved revenue changes. Inflation is defined in CRS 24-77-102(8) as "the percentage change in the consumer price index for the Denver-Boulder Consolidated Metropolitan Statistical Area For All Urban Consumers, All Goods, as published by the U.S. Department of Labor."

The percentage inflation and population changes for calendar year 1996 used in this report were provided by the Office of State Planning and Budgeting.

NOTE 9. ENTERPRISE QUALIFICATION /DISQUALIFICATION

TABOR specifies that qualification and disqualification of enterprises shall change the district bases. For Fiscal Year 1997-98, the spending limit was adjusted by $2.1 million for qualification of the State Fair Authority, and $1.1 million for qualification of enterprises at Colorado State University. The combined total was increased by the 5.5 percent allowable growth to arrive at the adjusted amount.

NOTE 10. NORTHEASTERN JUNIOR COLLEGE

Northeastern Junior College in Sterling Colorado became part of the state's community college system on July 1, 1997. Previous to that time it was a local community college district. The assets of the college were added to the state's accounts as of July 1, 1997. The Fiscal Year 1997-98 spending limit is increased by the college's Fiscal Year 1997-98 revenues subject to TABOR in conformance with the state's policy on accounting for additions to the district.

NOTE 11. OTHER ADJUSTMENTS TO FISCAL YEAR SPENDING LIMIT

Errors in previous years affect the spending limit if the error dates back to a year in which the state did not have excess TABOR revenues.

An error in Fiscal Year 1995-96 was discovered in the classification of revenue from local school districts for mental health services provided by the Department of Human Services. These revenues of $5.3 million were originally classified as exempt from TABOR. The reclassification of these revenues as non-exempt increases the Fiscal Year 1997-98 spending limit by $6.0 million after applying the allowable growth percentages for Fiscal Years 1996-97 and 1997-98.

Also, in Fiscal Year 1995-96 there was an error in the classification of repayments of the elderly property tax credits of $396,730. This amount was originally classified as non-exempt but should have been exempt from TABOR since it was a reimbursement of prior years' expenses. This error decreases the Fiscal Year 1997-98 spending limit by $446,174.

Other minor corrections of classification errors resulted in a $10,014 decrease in the Fiscal Year 1997-98 spending limit.

NOTE 12 SUBSEQUENT EVENT

On September 16, 1998, in special session, the General Assembly passed, and the Governor signed, a bill to provide a state sales tax credit of approximately $565 million on 1998 income tax returns properly filed on or before October 15, 1999. The purpose of this credit is to liquidate the $563.2 million TABOR Refund Liability booked by the state on June 30, 1998.

However, in the regular 1998 session the General Assembly placed a referendum on the ballot which would allow the state to keep $200 million a year for five years to be spent on roads and school buildings. If passed by the voters at the general election on November 3, 1998 then only $365 million will be refunded on the 1998 income tax returns.

If the refund amount is $565 million, then beginning in January 1999, each adult full-year resident filing a single return will receive a credit of $142 if their federal adjusted gross income (AGI) is less than or equal to $20,000, or $195 if their AGI is greater than $20,000 but less than or equal to $50,000, or $276 if their AGI is greater than $50,000 but less than or equal to $95,000, and $384 if their AGI is greater than $95,000.

If the refund amount is $365 million, then beginning in January 1999, each adult full-year resident filing a single return will receive a credit of $92 if their federal adjusted gross income (AGI) is less than or equal to $20,000, or $126 if their AGI is greater than $20,000 but less than or equal to $50,000, or $178 if their AGI is greater than $50,000 but less than or equal to $95,000, and $248 if their AGI is greater than $95,000.

All amounts are doubled for a surviving spouse or two individuals filing a joint return.